



Financial Oversight and Management Board for Puerto Rico

STATEMENT

San Juan, PR – October 8, 2021 – The Financial Oversight and Management Board for Puerto Rico today issued the following statement:

The Oversight Board believes the bill the Puerto Rico Senate passed on Wednesday to approve the issuance of the new general obligation bonds that are part of the debt restructuring would make the 7th Amended Plan of Adjustment unaffordable for Puerto Rico.

Puerto Rico House Bill 1003, as amended and approved by the Senate, conditions the issuance of the bonds on provisions that would cost tens of billions of dollars. In addition to preventing any cuts to government retirees' pension benefits, the Senate's bill would prevent the freezing and reforming of the insolvent pension plans that previous Puerto Rico governments underfunded for decades. It adds costly mandates and massive spending increases as a condition to implementing the 7th Amended Plan of Adjustment.

The Oversight Board has been working for five years in good faith with retirees, unions, bondholders and other creditors to negotiate a Plan of Adjustment that is fair and sustainable, and with the Legislature and the Governor to pass the legislation to issue new bonds. The Oversight Board is convinced that the legislation passed endangers Puerto Rico's ability to come out of bankruptcy and repeats the unsustainable spending practices and policies that drove Puerto Rico into bankruptcy in the first place.

The outrageous costs of the amendments to House Bill 1003 taken together would make the confirmation of the 7th Amended Plan of Adjustment impossible. Therefore, the Oversight Board would be forced to withdraw the proposed Plan of Adjustment from the U.S. District Court.

The consequences of the plan's failure would be grave for the people of Puerto Rico. We do not know today if creditors would wait for new legislation to issue the bonds. We do not know if creditors would agree to renegotiate or request that the moratorium on debt payment in place right now be lifted, forcing the government to pay the full debt now. We also do not know if creditors would take advantage of their right to terminate their agreement to support the plan, in which case the Puerto Rico government would have to pay creditors \$100 million immediately as a termination fee.

What we do know is that the current Plan of Adjustment is the best opportunity for Puerto Rico to restructure its debts, and any future restructuring to exit bankruptcy would cost the people of Puerto Rico more money.

The 7th Amended Plan of Adjustment would cut the Commonwealth's outstanding debt by 80%, from \$33 billion to \$7 billion. Before PROMESA, the Commonwealth had to pay up to 25 cents of every dollar it collected in taxes and fees from the people of Puerto Rico to creditors; the plan would reduce that amount to just over 7 cents of every dollar.

This plan provides the best path for Puerto Rico to move on, recover, and grow. Failure to achieve confirmation of the plan now would mean Puerto Rico remains in bankruptcy and the Oversight Board remains in place longer than if Puerto Rico were able to emerge from its bankruptcy process under PROMESA with the current Plan of Adjustment.

Bankruptcy is holding Puerto Rico back. Every resident of Puerto Rico suffers, and every business in Puerto Rico is affected by this largest public sector bankruptcy in the history of the United States. It is paramount for Puerto Rico's future and prosperity to end bankruptcy.

The Oversight Board will respond in detail to House Bill 1003 as amended by the Senate and continue to work with the Legislative Assembly and the Governor to reach our goal of completing the Title III debt restructuring process under PROMESA, which is an essential step for the Oversight Board to complete its mandate under the law.

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About the Financial Oversight and Management Board for Puerto Rico:

The Financial Oversight and Management Board for Puerto Rico was created under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) of 2016. The purpose of the Oversight Board is to provide a method for Puerto Rico to achieve fiscal responsibility and access to the capital markets.

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